

Home Buyer Guide:

Steps to Buying Your New Home



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1. FIND YOUR REAL ESTATE AGENT

Get in contact with your Realtor of choice

2. GETTING PRE-APPROVED FOR A MORTGAGE

*If you aren't an all cash buyer, you'll need a loan to purchase your property
*You can reach out to your real estate agent for lender contact suggestions**

- Get in touch with a bank, lender or mortgage broker to get you pre-approved. **Providing ALL the requested lender / bank documents in a timely manner is very important and can impact the deadline of your deal**
- Request for the lender list the maximum amount you can afford within your initial Pre-Approval Letter
- Please ask your lender, if you will **need** Seller Assist in order to purchase, based on your amount of savings. **See Terms and Definitions Page for a description of Seller Assist**

3. PROVIDE YOUR REALTOR WITH YOUR BUDGET

Your maximum amount within your preapproval letter does NOT have to be your desired budget or purchase price

- Establish your home purchase budget by informing your realtor of your desired maximum purchase price or your desired maximum monthly mortgage payment.

4. PROVIDE YOUR HOME CRITERIA

Once your budget is established, inform your Realtor of what you'd like in your new home. Once confirmed, your realtor will begin emailing you homes. Your criteria should include the following:

- Minimum Number of Bedrooms, Bathrooms, Location / School District, Single or Semi Detached, Etc.

5. SCHEDULE A HOME TOUR WITH YOUR REALTOR

Now that you have your preapproval and have shared the homes you like with your realtor, it's time to start scheduling house tours in person

6. PLACING AN OFFER

Now that you've found the home of your dreams, it's time to place an offer

- Here are some questions you should ask yourself before placing an offer:
 - Purchase Price?
 - Do I want to do any inspections? Or am I willing to move forward without an inspection? (Inspections are always recommended however in a competitive market, offers without an inspection will typically hold more value to the seller)

- Do I need Seller Assist? Should I request Seller Assist? **See Terms and Definitions Page for a description of Seller Assist** (offers without a request for seller assist will typically hold more value to the seller)

- Confirm those answers with your realtor. Thereafter, your realtor will create the agreement in writing for you to sign
- Typically, your offer will be responded to within 24 to 48 hours. Hang Tight!
 - My motto is, if it's meant to be, it'll be.

7. YOUR OFFER HAS NOW BEEN ACCEPTED

Congrats! So your offer on your dream home has been accepted, what happens next?

- Earnest Deposit: Prepare your Earnest Deposit Check (*Confirm with your Realtor who this should be payable to and where it should be mailed or dropped off*)
- Title Company: They are responsible to ensure the title is clear and managing settlement **You can reach out to your real estate agent for title company suggestions**
- Mortgage Financing Commitment: Get in contact with your lender to provide any requested documentation in order to eventually obtain a Mortgage Commitment. **Providing ALL the requested lender / bank documents in a timely manner is very important and can impact the deadline of your deal**
- Home Inspection: If you elected to perform a home inspection in your offer, contact the home inspector to schedule the inspection. The inspection and the inspection report should be completed within 10 to 15 days, based on the deadline referenced in your agreement of sale. The inspection is generally paid for by the buyer. **You can reach out to your real estate agent for suggested home inspection companies**
 - Based on the inspection report, you have the right to negotiate, **if need be**, based on the required repairs (*Please ask your Home Inspector to highlight the major issues / repairs*)

- Home Insurance: Starting shopping around for Homeowner's Insurance and have your insurance agent provide the declaration page to your lender. **You can reach out to your real estate agent for suggested home insurance providers**

- Appraisal: The appraisal is ordered by the bank and paid for by the buyer (*The buyer nor the seller do not select appraiser*). This is when the bank sends out a certified appraiser to ensure the property's condition is up to bank standards and advise on the value of the home. If the appraisal value of the home falls below the agreed upon purchase price, negotiation is then needed to advise on the purchase price going forward. Requested repairs can come up within appraisal reports as well, your lender will advise if there are any requested repairs.

If you can make it past the above processes, you are only a few steps away from purchasing your new home.

8. YOU ARE CLEARED TO CLOSE

- Once your lender issues a clear to close, this means you have a mortgage commitment, the appraisal has been approved and we are ready to settle on your new home.
- If a settlement date hasn't been confirmed already, please reach out to your real estate agent to provide you with a settlement date, location and time. Most of the time, closings are held at the title company's office.
- Schedule a date and time with your realtor to do a final walkthrough of the property. This is typically done the day of or day before settlement.
- At least 1 to 2 days before closing, please have your lender confirm how much funds you will need to bring to settlement. Funds should be in the form of a Cashier's Check, typically payable to the name of the Title Company.

Keep in mind, delays are normal, as there are many moving parts to accomplish the goal of you becoming a homeowner. This process typically takes 30 to 60 days, sometimes longer. 45 Days is a great timeline to keep in mind. Patience and having fun within this process is key!

9. SETTLEMENT DAY

- Bring two forms of ID and the Cashier's Check.
- This typically takes 30 minutes to 1 hour, sometimes longer.
- You'll be signing documents prepared by your lender and the title company.

CONGRATULATIONS!
YOU ARE NOW A
HOMEOWNER!



Key Home Buying Terms and Definitions

Here are some terms you should get familiar with:

Appraisal - the estimation of a home's current market value. A licensed appraiser completes this estimation, which is calculated by comparing the recent sales of homes in the area as to the property that is being appraised. This is required by mortgage lenders to be sure that the money they are lending to a new homeowner or a current homeowner is a fair amount for the home. The lenders want to be sure that the buyers are not overpaying for the property. This is to protect the lender. The appraisal cost is typically paid for by the buyer.

Cashier's Check - a type of official check that banks issue and sign. A check whose payment is guaranteed by a bank.

Conventional Loan - a mortgage loan not backed by a government agency. Down payment requirements are as low as 3%, and some lenders have special programs that offer up to 100% financing. However, if you don't put down 20% or more, the lender typically requires you to pay Private Mortgage Insurance (PMI). Most lenders require a 5% down payment for conventional loans.

Closing Costs - Closing costs are fees and expenses you pay when you close on your house, beyond the down payment. These costs can run 3 to 5 percent of the loan amount and may include title insurance, attorney fees, appraisals, taxes and more.

Contingencies - conditions that either the buyer or seller (or both) must meet for the sale to go through. For example, a buyer may place an offer on a home, but the offer is contingent on the buyer selling their current home first or contingent on obtaining a mortgage.

Deed - the physical document that conveys the title to the new owner when you sell your home. The property deed will include a description of the property and identify the grantor (seller) and grantee (buyer) for a particular transaction. Both the seller and the buyer will need to sign the deed to seal the real estate deal.

Earnest Deposit - a deposit made to a seller that represents a buyer's good faith to buy a home. The earnest money will be reimbursed to you at settlement in the form of a deduction of your total closing costs; so you aren't paying anything "extra" when you deposit earnest money.

Thus, your earnest money is refundable; however, there are a few instances where your earnest money could be lost if a buyer does meet certain contractual obligations.

If your closing was not to occur due to you missing a specific deadline, then you can lose your earnest money.

However, certain contingencies allow you to withdraw from your contract without losing your refund, and those are:

- A home inspection contingency – If there are serious structural or repair issues.
- Financing contingency – Your mortgage financing falls through.
- Appraisal contingency – The home does not appraise for the purchase price.
- Title contingency – A title search reveals problems with the property's title.
- Home sale contingency – If you can't find a buyer for your current home.

Equity – the difference between the market value of your home and the amount you owe the lender who holds the mortgage.

Escrow - when a neutral third party holds on to funds during a transaction.

FHA Loan - a mortgage that's insured by the Federal Housing Administration (FHA), which requires a minimum of 3.5% down.

Homeowner's Association (HOA) - an organization in a subdivision, planned community, or condominium building that makes and enforces rules for the properties and its residents. Those who purchase property within an HOA's jurisdiction automatically become members and are required to pay dues, known as HOA fees.

Homeowner's Insurance - a form of property insurance that covers losses and damages to an individual's residence, along with furnishings and other assets in the home.

Home Inspection - a report on the overall condition of a home. A thorough home inspection gives the buyer details about a home's structure, foundation, electrical, plumbing, and more. A home inspector checks the areas of a home beyond what a buyer can see on the surface.

Home Warranty - an annual service contract that covers the cost to repair or replace parts of home appliances and systems that break down over time.

Private Mortgage Insurance (PMI) - what borrowers have to pay when they take out a mortgage from a commercial lender and pay a down payment of 20 percent or less. PMI insures the mortgage for the lender in the event that the borrower defaults.

Seller Assist (Seller Concession) – it is an optional, negotiated, buyer requested contribution from the seller toward the buyer settlement (closing) costs.

For Conventional Loans:

- If the down payment is less than 10 percent, the seller may contribute up to 3 percent of the purchase price.
- If the down payment is 10 percent or greater the seller may contribute up to 6 percent of the purchase price.

For Federal Housing Administration (FHA) Loans:

- Sellers can contribute up to 6 percent of the sale price. Buyers must put down at least 3.5 percent to qualify for an FHA-backed loan.

Seller Disclosure – a document provided by a home seller to a home buyer that outlines known issues within a property and other historical details of the property.

Title - legal ownership rights to a home.

Title Insurance – a policy designed to protect an owner from covered title defects that existed prior to the issue date of your policy. If a valid claim is filed, your Title Insurance Owner's Policy, subject to its terms and conditions, will cover financial loss up to the face amount of your policy.

Title Search - an examination of public records to determine and confirm a property's legal ownership, and find out what claims or liens are on the property.

USDA Loan - a zero down payment mortgage loan for eligible rural and suburban homebuyers. This eligibility of this loan is based on the location of the property of interest.



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